

## 23 VAC 10-210. RETAIL SALES AND USE TAX

~~23 VAC 10-210-370. Common carriers of property by motor vehicle.~~

~~A. Generally. Section 58.1-609.3(3) of the Code of Virginia extends an exemption from the sales and use tax to tangible personal property for use or consumption by a common carrier directly in the rendition of its public service. A common carrier must be authorized to operate under a certificate of convenience and necessity issued by the State Corporation Commission or the Interstate Commerce Commission in order to qualify for this exemption. This regulation applies only to common carriers of property by motor vehicle, including restricted common carriers, and has no application to contract or other carriers.~~

~~The term "tangible personal property . . . for use or consumption directly in the rendition of its public service" means only essential tangible personal property used immediately and principally by a common carrier of property to keep its motor vehicles operating on the road in the performance of its public service. Tangible personal property used as an integral part of this process is exempt.~~

~~The applicability of the sales and use tax exemption for tangible personal property purchased by a common carrier operation depends on the use rather than the type of property. The same item may be taxable in one instance and exempt in another, depending entirely upon its usage.~~

~~1. Leased property. The exemptions outlined in these guidelines are applicable regardless of whether the property is purchased or leased by the common carrier.~~

~~Repair parts used by a lessor to repair or maintain property leased to a common carrier,~~

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~~including motor vehicles which are subject to the 3% motor vehicle sales and use tax on rentals, may be purchased by the lessor exempt from the tax under the resale exemption.~~

~~For sales and use tax purposes, a carrier who contracts to haul for a common carrier and in performance of that contract furnishes the motor vehicle, driver, and any other necessary tangible personal property is not a lessor of motor vehicles and is not entitled to a resale exemption on the purchase of tangible personal property, such as repair parts, used in the performance of the contract. This applies even though such carrier may operate under the ICC rights of the common carrier.~~

~~2. Common carrier functions defined. The bulk of the tangible personal property used by a common carrier of property can be grouped into four general areas of usage: administrative; maintenance and repair; transport of property; and, storage and temporary deposit. Following is a description of each type of activity.~~

~~a. Administration. Administration functions include billing, collecting, soliciting, purchasing, record keeping and employee comfort, convenience or pleasure. All tangible personal property used in administrative functions is subject to the tax.~~

~~b. Repair and maintenance. Tangible personal property used in the repair or maintenance of vehicles, equipment and real property (including the shop, terminal and parking lot) is included in this category.~~

~~Machinery and tools and repair parts used to repair and maintain revenue producing vehicles and trucks used to service these vehicles (e.g. tow trucks) are not subject to~~

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~~the tax. Machinery and tools and repair parts for other vehicles (such as supervisor's cars) as well as for the parking lot or other real or tangible personal property are subject to the tax.~~

~~c. Transport. The transport function encompasses the actual performance of common carrier duties, i.e., the receipt, pickup, over-the-road transport, delivery and protection of property, and similar functions essential in the transport of property. This includes property used on the revenue vehicles as well as property used in loading, unloading and safeguarding cargo. Tangible personal property used in the transport function is used directly in the rendition of the public service and is not subject to the tax.~~

~~d. Storage and temporary deposit. The functions of storage and temporary deposit of tangible personal property are included in this category. Storage is the holding for safekeeping of tangible personal property. Temporary deposit is the temporary holding of tangible personal property prior to its subsequent transport by the carrier.~~

~~The distinction between storage and temporary deposit is determined by the customer's intention in seeking the service. If a customer is seeking to have his property held in safekeeping for a period of time, he is seeking storage. If he is seeking the transport of property, and incidental to this the property is temporarily stored by the transporter pursuant to subsequent delivery, the retention of property is temporary deposit. When a carrier makes a charge for retaining property he is providing storage rather than temporary deposit.~~

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~~Tangible personal property used in the storage function is subject to the tax. Tangible personal property used in the temporary deposit function in conjunction with the common carrier function is not subject to the tax.~~

~~B. Examples of property used in common carrier operations. Following are examples of taxable and exempt tangible personal property used in the above referenced activities.~~

~~These lists are exemplary and are not intended to be all inclusive.~~

~~1. Administration.~~~~Taxable:~~~~Office supplies~~~~Office equipment~~~~Billing supplies~~~~Heating oil~~~~Toilet supplies~~~~Tariff rate schedules~~~~Motor freight guides~~~~Paper towels~~~~Linens~~~~Hand cleaner~~~~Uniforms, lettering, shirts furnished to drivers or other employees~~~~Payroll records~~~~Space heaters, except used to preserve property being transported~~

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~~2. Repair and maintenance.~~

~~Taxable:~~

~~Wrenches, saws and other tools used to repair vehicles, except revenue and service vehicles~~

~~Tires, tubes, batteries, except used in revenue and service vehicles~~

~~Motor oil, grease, gear oil, lubricants, brake fluid, transmission fluid, except used in revenue and service vehicles~~

~~Oil dri, except used in revenue and service vehicles~~

~~Hi dri, except used in revenue and service vehicles~~

~~Floor dri, except used in revenue and service vehicles~~

~~Fire extinguishers, used in terminal or repair shop~~

~~Lamps, lightbulbs, flashlights used in terminal or repair shop~~

~~Diesel fuel used to operate machinery and tools~~

~~Air compressors used to operate machinery and tools~~

~~Gloves~~

~~Snow removal equipment, snow melting chemicals~~

~~Paints, brushes, solvents, except used on revenue and service vehicles~~

~~Weed killer~~

~~Exempt:~~

~~Repair parts for revenue and service vehicles~~

~~Machinery and tools used in repairing revenue and service vehicles~~

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~~Tires, tubes, batteries used in revenue and service vehicles~~

~~Motor oil, grease, gear oil, lubricants, brake fluid, transmission fluid used in revenue and service vehicles~~

~~Repair manuals for revenue and service vehicles~~

~~Tachographs~~

~~Cleaning supplies, including soaps, detergents and waxes, used on revenue or service vehicles~~

~~Testing equipment for revenue and service vehicles~~

~~3. Transport.~~

~~Exempt:~~

~~Forklifts, conveyor systems, racks, hand trucks, coasters and similar equipment used in receiving, sorting and loading and unloading revenue producing vehicles~~

~~Equipment used on revenue vehicles to maintain commodities at a constant temperature~~

~~Equipment for communication between offices and common carrier equipment~~

~~Indoor and outdoor scales for weighing cargo~~

~~Newsprint, sealing tape, cartons, barrels, wardrobes, straps, pallets, chains, ratchets, coupling and tying down equipment, checks, seals and dock levelers~~

~~Waybills, freight bills, and bills of lading carried with the freight being transported~~

~~Driver log books~~

~~Reflectors, fire extinguishers, flares used on revenue and service vehicles~~

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~~Decals and lettering used on revenue vehicles~~

~~4. Storage and temporary deposit.~~

~~a. Temporary deposit.~~

~~Exempt:~~

~~Forklifts~~

~~Hand trucks~~

~~Packing materials~~

~~Crates~~

~~Dollies~~

~~Heating and cooling equipment used to maintain commodity at a constant temperature~~

~~b. Storage.~~

~~Taxable:~~

~~Forklifts~~

~~Packing materials~~

~~Crates~~

~~Hand trucks~~

~~Dollies~~

~~C. Proration. It is possible for an item of tangible personal property to be used in both a taxable and exempt manner. For example, tools may be used to repair vehicles used in both contract and common carrier activities or a forklift may be used in both storage and temporary deposit. In such instances the tax due on the item is prorated between the~~

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~~percentage of time the property is used in a taxable manner and the percentage of time used in an exempt manner.~~

~~D. Lost, damaged or unclaimed property. The tax does not apply to compensation paid by a common carrier to a customer for tangible personal property lost or damaged while in the carrier's possession. If a common carrier sells damaged or unclaimed property, he must register as a dealer and collect and pay the applicable tax.~~

~~E. Applicability of this section. This section is intended to illustrate the application of the sales and use tax to common carriers of property by motor vehicle and is based upon the usual methods of doing business used in the industry generally. Persons whose method of operation differs or who have specific factual questions should contact this department for a ruling on their specific situation.~~

~~For the tax application to furniture and storage warehousemen, see 23 VAC 10-210-650.~~

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~~23 VAC 10-210-3020. Public utilities.~~

~~A. Generally. Tangible personal property purchased or leased by a public utility subject to a state franchise or license tax upon gross receipts for use or consumption directly in the rendition of its public service is exempt from the tax.~~

~~B. Public utility defined. The term "public utility" as used herein is synonymous with "public service company" or "public service corporation" and means all business entities deemed to be public utilities within the definitions set forth under Sections 56-232 and 56-265.1 of the Code of Virginia. Such entities have been issued certificates of convenience and necessity by the State Corporation Commission and include those engaged in the generation, transmission or distribution of electricity, natural or manufactured gas (except in enclosed portable containers), and geothermal resources and those engaged in furnishing telephone or telegraph service, sewerage facilities, and water.~~

~~C. Public service described. The term "public service" is used here in its broadest and most inclusive sense and includes any product or commodity furnished by any public utility and the equipment, apparatus, appliances, and facilities devoted to the purposes in which such public utility is engaged and~~

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~~to the use and accommodation of the public. Accordingly, the public service of a utility is to keep its production, generation, initiation, transmission or distribution facilities in operation and to keep open the lines of distribution through which electrical, gas, water, telephone and telegraph service is provided to the public.~~

~~Generally, property is not deemed to be used directly in the rendition of a public service unless it is used in activities the cost of which is recoverable by a utility through the rate making process. However, the fact that property is used in activities the cost of which is recoverable through the rate making process does not, of itself, mean that the property is used directly in the rendition of a public service. When tangible personal property is to be used in activities the cost of which is not recoverable through rates, such property is deemed to be subject to the tax when purchased or used by a utility.~~

~~D. Direct usage described. Direct usage refers to those activities that are an integral part of the rendition of a public utility service, including all steps of a utility's production, generation or initiation process as well as a utility's transmission or distribution process, but not including incidental public utility functions such as administration and management.~~

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~~Items of tangible personal property that are used directly in the rendition of a public utility service are those which are both indispensable to the actual provision of a utility service and used or consumed immediately in the performance of such service. The fact that a particular item may be considered essential to the rendering of a public utility service because its use is required either by law or practical necessity does not, of itself, mean that the property is used directly in the rendition of a public utility service.~~

~~As described in subsections E, F, and G below, items of tangible personal property which are to be incorporated into and will become a part of a utility's production, transmission or distribution systems are deemed to be used directly in the rendition of a public service; however, tangible personal property used in administrative and managerial activities and activities other than those noted above are deemed not to be used directly in the rendition of a public service.~~

~~E. Administrative and managerial activities. Tangible personal property used by a public utility in performing administrative and managerial functions is deemed not to be used in the rendition of a utility's public service and therefore is subject to the tax.~~

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~~F. Production activities and repairs to the production system. Tangible personal property, including equipment, machinery, apparatus, supplies and appliances, which are used immediately in production, generation or initiation activities is deemed to be used directly in the rendition of a utility's public service. Such exempt property also includes equipment, machinery, supplies, tools, and repair parts used to keep in operation exempt production devices and fuel or power used to operate such production devices.~~

~~For the purposes of this subsection, production activities shall commence from the intake, receipt or storage of raw materials (coal, uranium, oil, natural gas, water, etc.) at utility's production plant site or at the utility's source of supply.~~

~~G. Transmission and distribution system and repairs thereto. Tangible personal property, including equipment, machinery, apparatus, supplies, fuel and power, appliances, pipes, wires, mains, etc., which is used immediately in the transmission or distribution of gas, water, electricity, and telephone or telegraph communications to the public is used directly in the rendition of a utility's public service.~~

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~~Additionally, equipment, machinery, tools, repair parts, and supplies and such vehicles and their equipment as are specially designed and equipped for such use are exempt from the tax when used to keep a utility's transmission or distribution system in operation or repair.~~

~~For the purposes of this subsection, transmission or distribution activities shall commence from the close of production at a utility plant when a product or communication is ready for transmission or distribution to the public and shall conclude at the point where the product or communication is received by the public.~~

~~H. Uniform System of Accounts. For purposes of administering the provisions of this regulation with respect to electric, gas, and telephone utilities, the Uniform System of Accounts shall be used. A listing of accounts for each type of utility, noted as either taxable or exempt, follows. Accounts to which the sales and use tax is unrelated, e.g., stock accounts, depreciation accounts, etc., are not included in this listing. In each instance, the notation of the account's status relates only to the tangible personal property included in the account and does not apply to separately stated labor charges or purchases of real or intangible personal property. If tangible personal property is charged to an~~

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~~account not listed below, a ruling should be obtained from the department to determine the taxable status of such property.~~

1. Electric utility accounts:

~~Account~~

<del>No.</del>	<del>Title of Primary Account</del>	<del>Status</del>
<del>_____</del>	<del>Balance Sheet Accounts</del>	
<del>_____</del>	<del>Assets and Other Debits</del>	
<del>_____</del>	<del>Current and Accrued Assets</del>	
151	Fuel stock	Exempt <sup>1</sup>
152	Fuel stock expenses undistributed	Exempt <sup>1</sup>
153	Residuals	Exempt
155	Merchandise	Taxable <sup>2</sup>
156	Other materials and supplies	Taxable <sup>2</sup>
157	Nuclear materials held for sale	Exempt <sup>2</sup>
163	Stores expense undistributed	Taxable
<del>_____</del>	<del>Deferred Debits</del>	
183	Preliminary survey and investigation charges	Taxable
184	Clearing accounts	Exempt <sup>3</sup>
<del>_____</del>	<del>Electric Plant Accounts</del>	

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	Intangible Plant	
301	Organization	Taxable
303	Miscellaneous intangible plant	Taxable
	Production Plant	
	Steam Production	
310	Land and land rights	Taxable
311	Structures and improvements	Taxable
312	Boiler plant equipment	Exempt4
313	Engines and Engine driven generators	Exempt4
314	Turbogenerator units	Exempt4
315	Accessory electric equipment	Exempt
316	Miscellaneous power plant equipment	Taxable
	Nuclear Production	
320	Land and land rights	Taxable
321	Structures and improvements	Taxable
322	Reactor plant equipment	Exempt4
323	Turbogenerator units	Exempt4
324	Accessory electric equipment	Exempt
325	Miscellaneous power plant equipment	Taxable
	Hydraulic Production	

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330	Land and land rights	Taxable
331	Structures and improvements	Taxable
332	Reservoirs, dams, and waterways	Exempt <sup>4</sup>
333	Waterwheels, turbines and generators	Exempt <sup>4</sup>
334	Accessory electric equipment	Exempt
335	Miscellaneous power plant equipment	Taxable
336	Roads, railroads, and bridges	Taxable
	Other Production	
340	Land and land rights	Taxable
341	Structures and improvements	Taxable
342	Fuel holders, producers, and accessories	Exempt
343	Prime movers	Exempt <sup>4</sup>
344	Generators	Exempt <sup>4</sup>
345	Accessory electric equipment	Exempt
346	Miscellaneous power plant equipment	Taxable
	Transmission Plant	
350	Land and land rights	Taxable
352	Structures and improvements	Taxable
353	Station equipment	Exempt <sup>4</sup>
354	Towers and fixtures	Exempt <sup>4</sup>

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355	Poles and fixtures	Exempt4
356	Overhead conductors and devices	Exempt
357	Underground conduit	Exempt4
358	Underground conductors and devices	Exempt
359	Roads and trails	Taxable
	Distribution Plant	
360	Land and land rights	Taxable
361	Structures and improvements	Taxable
362	Station equipment	Exempt4
363	Storage battery equipment	Exempt
364	Poles, towers and fixtures	Exempt4
365	Overhead conductors and devices	Exempt
366	Underground conduit	Exempt4
367	Underground conductors and devices	Exempt
368	Line transformers	Exempt
369	Services	Exempt4
370	Meters	Exempt
371	Installations on customer's premises	Exempt4
372	Leased property on customer's premises	Exempt
373	Street lighting and signal systems	Exempt

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	<del>General Plant</del>	
389	<del>Land and land rights</del>	<del>Taxable</del>
390	<del>Structures and improvements</del>	<del>Taxable</del>
391	<del>Office furniture and equipment</del>	<del>Taxable</del>
392	<del>Transportation equipment</del>	<del>Exempt<sup>5</sup></del>
393	<del>Stores equipment</del>	<del>Taxable</del>
394	<del>Tools, shop and garage equipment</del>	<del>Taxable</del>
395	<del>Laboratory equipment</del>	<del>Exempt</del>
396	<del>Power operated equipment</del>	<del>Exempt</del>
397	<del>Communication equipment</del>	<del>Taxable</del>
398	<del>Miscellaneous equipment</del>	<del>Taxable</del>
399	<del>Other tangible property</del>	<del>Taxable</del>
	<del>Operation and Maintenance</del>	
	<del>Expense Accounts</del>	
	<del>Power Production Expenses</del>	
	<del>Steam Power Generation</del>	
	<del>Operation</del>	
500	<del>Operation supervision and engineering</del>	<del>Taxable</del>

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501	Fuel	Exempt <sup>1</sup>
502	Steam expenses	Exempt
503	Steam from other sources	Exempt
504	Steam transferred credit	Exempt
505	Electric expenses	Exempt
506	Miscellaneous steam power expenses	Taxable
507	Rents	Exempt
	Maintenance	
510	Maintenance supervision and engineering	Taxable
511	Maintenance of structures	Taxable
512	Maintenance of boiler plant	Exempt <sup>4</sup>
513	Maintenance of electric plant	Exempt <sup>4</sup>
514	Maintenance of miscellaneous steam plant	Taxable
	Nuclear Power Generation	
	Operation	
517	Operation supervision and engineering	Taxable
518	Nuclear fuel expense	Exempt
519	Coolants and water	Exempt

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520 Steam expenses Exempt4

521 Steam from other sources Exempt

522 Steam transferred credit Exempt

523 Electric expenses Exempt4

524 Miscellaneous nuclear power expenses Taxable

525 Rents Exempt

Maintenance

528 Maintenance supervision and engineering Taxable

529 Maintenance of structures Taxable

530 Maintenance of reactor plant equipment Exempt4

531 Maintenance of electric plant Exempt4

532 Maintenance of miscellaneous nuclear plant Taxable

Hydraulic Power Generation

Operation

535 Operation supervision and engineering Taxable

536 Water for power Exempt

537 Hydraulic expenses Taxable

538 Electric expenses Exempt

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539	Miscellaneous hydraulic power generation equipment	Taxable
540	Rents	Exempt
	Maintenance	
541	Maintenance supervision and engineering	Taxable
542	Maintenance of structures	Taxable
543	Maintenance of reservoirs, dams, and waterways	Exempt <sup>4</sup>
544	Maintenance of electric plant	Exempt <sup>4</sup>
545	Maintenance of miscellaneous hydraulic plant	Taxable
	Other Power Generation	
	Operation	
546	Operation supervision and engineering	Taxable
547	Fuel	Exempt <sup>1</sup>
548	Generation expenses	Exempt
549	Miscellaneous other power generating expenses	Taxable
550	Rents	Exempt
	Maintenance	

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551	Maintenance supervision and engineering	Taxable
552	Maintenance of structures	Taxable
553	Maintenance of generating and electric plant	Exempt4
554	Maintenance of miscellaneous other power	
	generation plant	Taxable
	Other Power Supply Expenses	
555	Purchased power	Exempt
556	System control and load dispatching	Exempt4
557	Other expenses	Exempt
	Transmission Expenses	
	Operation	
560	Operation supervision and engineering	Taxable
561	Load dispatching	Exempt4
562	Station expenses	Exempt4
563	Overhead line expenses	Exempt4
564	Underground line expenses	Exempt4
565	Transmission of electricity by others	Exempt4
566	Miscellaneous transmission expenses	Taxable

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567	Rents	Exempt
	Maintenance	
568	Maintenance supervision and engineering	Taxable
569	Maintenance of structures	Taxable
570	Maintenance of station equipment	Exempt4
571	Maintenance of overhead lines	Exempt4
572	Maintenance of underground lines	Exempt4
573	Maintenance of miscellaneous transmission plant	Taxable
	Distribution Expenses	
	Operation	
580	Operation supervision and engineering	Taxable
581	Load dispatching	Exempt4
582	Station expenses	Exempt4
583	Overhead line expenses	Exempt4
584	Underground line expenses	Exempt4
585	Street lighting and signal system expenses	Exempt4
586	Meter expenses	Exempt4

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587 Customer installations expenses Exempt4

588 Miscellaneous distribution expenses Exempt4

589 Rents Exempt

Maintenance

590 Maintenance supervision and engineering Taxable

591 Maintenance of structures Taxable

592 Maintenance of station equipment Exempt4

593 Maintenance of overhead lines Exempt4

594 Maintenance of underground lines Exempt

595 Maintenance of line transformers Exempt

596 Maintenance of street lighting and signal Exempt

systems

597 Maintenance of meters Exempt

598 Maintenance of miscellaneous distribution Exempt4

plant

Customer Accounts

Operation

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902	Meter reading expenses	Taxable
903	Customer records and collection expenses	Taxable
905	Miscellaneous customer accounts expenses	Taxable
908	Customer assistance expenses	Taxable
909	Informational and instructional advertising expenses	Taxable
910	Miscellaneous customer service and informational expenses	Taxable
	Sales Expenses	
	Operation	
912	Demonstrating and selling expenses	Taxable
913	Advertising expenses	Taxable
916	Miscellaneous sales expenses	Taxable
	Administrative and General Expenses	
	Operation	
921	Office supplies and expenses	Taxable
925	Injuries and damages	Taxable

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~~926 Employee pensions and benefits Taxable~~

~~928 Regulatory commission expenses Taxable~~

~~930.1 General advertising expenses Taxable~~

~~930.2 Miscellaneous general expenses Taxable~~

~~\_\_\_\_\_ Maintenance~~

~~932 Maintenance of general plant Taxable~~

~~Explanation of footnotes.~~

~~FN1 Tangible personal property charged to these accounts is exempt from the tax except for property used in the transportation of fuel from the point of acquisition to the point of unloading and property used in administrative and purchasing activities in support of fuel acquisition and handling activities.~~

~~Taxable property used in the transportation of fuel includes rail cars, but does not include motor vehicles and trailers subject to the Virginia motor vehicle sales and use tax.~~

~~FN2 Tangible personal property held for resale and charged to these accounts is exempt from tax; however, the sales tax should be collected on all sales of such property unless a certificate of exemption is obtained from the~~

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~~–purchaser.~~

~~FN3 Tangible personal property charged to this account is exempt only to the extent used directly in the rendition of public utility service. Taxable property includes, but is not limited to, administrative supplies, structural materials, and general purpose items.~~

~~FN4 Tangible personal property charged to these accounts is exempt except for the following categories of items: (1) structures, including nuclear reactor structures and general purpose equipment, and (2) administration, record keeping and employee comfort.~~

~~Taxable items included under the category of structures and general purpose equipment include, but are not limited to, platforms, railings, steps, gratings, foundations, settings, and steelwork. Also, plant lighting systems, plant ventilation systems, fire extinguishing and prevention systems, emergency and fire alarms, communications equipment, safety and first-aid equipment (except protective clothing worn by production, transmission, or distribution by a public utility). In addition, taxable items include stacks and all pollution control facilities except those certified by the Virginia Air Pollution Control Board or Virginia Water Control Board. Lastly, this category includes property used in the repair or replacement of damaged property of others.~~

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~~Only those structural materials which are an immediate part of the production of electricity are excluded from this footnote. Such materials include only those that are used in dams used in the hydraulic production of electricity. Then, the exemption applies only to materials used in the dam itself, including intakes and water conductors. The exemption does not apply to bridges, culverts, foundations and settings for equipment, spillways not associated with power generation, steps, railings, gratings, guard houses, etc. used indirectly in the generation of electricity.~~

~~Taxable items included under the category of administration, record keeping, and employee comfort include, but are not limited to, office supplies, ink, paper, charts, logs, health supplies, safety supplies, decontamination supplies, insect control materials, meals and lodging expenses, budget and billing supplies, and snow and ice removal equipment.~~

~~FN5 Transportation equipment subject to the Virginia aircraft, motor vehicle, or watercraft sales and use taxes is exempt from the retail sales and use tax. Other transportation equipment is taxable only when not specially designed or equipped for use in an electric utility's production, transmission, or distribution system.~~

2. Gas utility accounts:

Account

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No.	Title of Primary Account	Status
<del>Balance Sheet Accounts</del>		
<del>Assets and Other Debits</del>		
<del>Current and Accrued Assets</del>		
151	Fuel stock	Exempt <sup>1</sup>
152	Fuel stock expenses undistributed	Exempt <sup>1</sup>
153	Residuals and extracted products	Exempt
155	Merchandise	Taxable <sup>2</sup>
156	Other materials and supplies	Taxable <sup>2</sup>
163	Stores expense undistributed	Taxable
164.1	Gas stored underground—current	Exempt
164.2	Liquefied natural gas stored	Exempt
164.3	Liquefied natural gas held for processing	Exempt
166	Advances for gas exploration, development, and production	Taxable
167	Other advances for gas	Taxable
<del>Deferred Debits</del>		
183.1	Preliminary natural gas survey and investigation charges	Taxable
183.2	Other preliminary survey and investigation	

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	charges	Taxable
184	Clearing accounts	Exempt3
	Intangible Plant	
301	Organization	Taxable
303	Miscellaneous intangible plant	Taxable
	Production Plant	
	Manufacturer Gas Production Plant	
304	Land and land rights	Taxable
305	Structures and improvements	Taxable
306	Boiler plant equipment	Exempt4
307	Other power equipment	Exempt4
308	Coke ovens	Exempt4
309	Producer gas equipment	Exempt4
310	Water gas generating equipment	Exempt4
311	Liquefied petroleum gas equipment	Exempt4
312	Oil gas generating equipment	Exempt4
313	Generating equipment--other processes	Exempt4
314	Coal, coke, and ash handling equipment	Exempt4
315	Catalytic cracking equipment	Exempt4
316	Other reforming equipment	Exempt4

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317	Purification equipment	Exempt4
318	Residual refining equipment	Exempt4
319	Gas mixing equipment	Exempt4
320	Other equipment	Exempt4
	Natural Gas Production and	
	Gathering Plant	
325.1	Producing lands	Taxable
325.2	Producing leaseholds	Taxable
325.3	Gas rights	Taxable
325.4	Rights-of-way	Taxable
325.5	Other land and land rights	Taxable
326	Gas well structures	Taxable
327	Field compressor station structures	Taxable
328	Field measuring and regulating station structures	Taxable
329	Other structures	Taxable
330	Producing gas wells--Well construction	Exempt
331	Producing gas wells--Well equipment	Exempt4
332	Field lines	Exempt4
333	Field compressor station equipment	Exempt4
334	Field measuring and regulating station equipment	Exempt4

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335	Drilling and cleaning equipment	Exempt
336	Purification equipment	Exempt4
337	Other equipment	Exempt4
338	Unsuccessful exploration and development costs	Exempt4
	Products Extraction Plant	
340	Land and land rights	Taxable
341	Structures and improvements	Taxable
342	Extraction and refining equipment	Exempt4
343	Pipe lines	Exempt
344	Extracted products storage equipment	Exempt4
345	Compressor equipment	Exempt4
346	Gas measuring and regulating equipment	Exempt4
347	Other equipment	Exempt4
	Natural Gas Storage and	
	Processing Plant	
	Underground Storage Plant	
350.1	Land	Taxable
350.2	Rights-of-way	Taxable
351	Structures and improvements	Taxable
352	Wells	Exempt

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352.1	Storage leaseholds and rights	Taxable
352.2	Reservoirs	Exempt
353.3	Nonrecoverable natural gas	Exempt
354	Compressor station equipment	Exempt4
355	Measuring and regulating equipment	Exempt4
356	Purification equipment	Exempt4
357	Other equipment	Exempt4
	Other Storage Plant	
360	Land and land rights	Taxable
361	Structures and improvements	Taxable
362	Gas holders	Exempt4
363	Purification equipment	Exempt4
363.1	Liquefaction equipment	Exempt
363.2	Vaporizing equipment	Exempt4
363.3	Compressor equipment	Exempt4
363.4	Measuring and regulating equipment	Exempt4
363.5	Other equipment	Exempt4
	Base Load Liquefied Natural Gas	
	Terminaling and Processing Plant	
364.1	Land and land rights	Taxable

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364.2	Structures and improvements	Taxable
364.3	LNG processing terminal equipment	Exempt4
364.4	LNG transportation equipment	Exempt
364.5	Measuring and regulating equipment	Exempt4
364.6	Compressor station equipment	Exempt4
364.7	Communication equipment	Taxable
364.8	Other equipment	Exempt4
	Transmission Plant	
365.1	Land and land rights	Taxable
365.2	Rights-of-way	Taxable
366	Structures and improvements	Taxable
367	Mains	Exempt4
368	Compressor station equipment	Exempt4
369	Measuring and regulating station equipment	Exempt3
370	Communication equipment	Taxable
371	Other equipment	Exempt3
	Distribution Plant	
374	Land and land rights	Taxable
375	Structures and improvements	Taxable
376	Mains	Exempt4

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377	Compressor station equipment	Exempt4
378	Measuring and regulating station equipment--General	Exempt4
379	Measuring and regulating station equipment--City Gate check stations	Exempt4
380	Services	Exempt4
381	Meters	Exempt
382	Meter installations	Exempt
383	House regulators	Exempt
384	House regulator installations	Exempt
385	Industrial measuring and regulating station equipment	Exempt4
386	Other property on customers' premises	Exempt4
387	Other equipment General Plant	Exempt4
389	Land and land rights	Taxable
390	Structures and improvements	Taxable
391	Office furniture and equipment	Taxable
392	Transportation equipment	Exempt5
393	Stores equipment	Taxable

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394	Tools, shop and garage equipment	Exempt <sup>4</sup>
395	Laboratory equipment	Exempt
396	Power operated equipment	Exempt
397	Communication equipment	Taxable
398	Miscellaneous equipment	Taxable
399	Other tangible property	Taxable
	Income Accounts	
	Other Income and Deductions	
416	Costs and expenses of merchandising, jobbing and contract work	Taxable
417.1	Expenses from nonutility operations	Taxable
	Other Income Deductions	
426.4	Expenditures for certain civic, political and related activities	Taxable
	Operation and Maintenance Expense Accounts	
	Manufactured Gas Production	
	Steam Production	
	Operation	
700	Operation supervision and engineering	Taxable

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701	Operation labor	Exempt4
702	Boiler Fuel	Exempt4
703	Miscellaneous steam expenses	Exempt4
704	Steam transferred--credit	Exempt
	Maintenance	
705	Maintenance supervision and engineering	Taxable
706	Maintenance of structures and improvements	Taxable
707	Maintenance of boiler plant equipment	Exempt4
708	Maintenance of other steam production plant	Exempt4
	Manufactured Gas Production	
	Operation	
710	Operation supervision and engineering	Taxable
	Production Labor and Expenses	
711	Steam expenses	Exempt
712	Other power expenses	Exempt
713	Coke oven expenses	Exempt4
714	Producer gas expenses	Exempt4
715	Water gas generating expenses	Exempt4
716	Oil gas generating expenses	Exempt4
717	Liquefied petroleum gas expenses	Exempt4

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718 Other process production expenses Exempt4

Gas Fuels

719 Fuel under coke ovens Exempt

720 Producer gas fuel Exempt4

721 Water gas generator fuel Exempt4

722 Fuel for oil gas Exempt

723 Fuel for liquefied petroleum gas process Exempt

724 Other gas fuel Exempt

Gas Raw Materials

725 Coal carbonized in coke ovens Exempt4

726 Oil for water gas Exempt4

727 Oil for oil gas Exempt4

728 Liquefied petroleum gas Exempt4

729 Raw materials for other gas processes Exempt4

730 Residuals expenses Exempt

731 Residuals produced--credit Exempt

732 Purification expenses Exempt4

733 Gas mixing expenses Exempt4

734 Duplicate charges--credit Exempt

735 Miscellaneous production expenses Exempt4

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736	Rents	Exempt
	Maintenance	
740	Maintenance supervision and engineering	Taxable
741	Maintenance of structures and improvements	Taxable
742	Maintenance of production equipment	Exempt4
	Natural Gas Production and Gathering	
	Operation	
750	Operation supervision and engineering	Taxable
751	Production maps and records	Taxable
752	Gas wells expenses	Exempt4
753	Field lines expenses	Exempt4
754	Field compressor station expenses	Exempt4
755	Field compressor station fuel and power	Exempt4
756	Field measuring and regulating station equipment	Exempt4
757	Purification expenses	Exempt4
758	Gas well royalties	Taxable
759	Other expenses	Exempt4
760	Rents	Exempt
	Maintenance	
761	Maintenance supervision and engineering	Taxable

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762	Maintenance of structures and improvements	Taxable
763	Maintenance of producing gas wells	Exempt4
764	Maintenance of field lines	Exempt4
765	Maintenance of field compressor station equipment	Exempt4
766	Maintenance of field measuring and regulating station equipment	Exempt4
767	Maintenance of purification equipment	Exempt
768	Maintenance of drilling and cleaning equipment	Exempt
769	Maintenance of other equipment	Exempt4
	Products Extraction	
	Operation	
770	Operation supervision and engineering	Taxable
771	Operation labor	Exempt4
772	Gas shrinkage	Exempt
773	Fuel	Exempt
774	Power	Exempt
775	Materials	Exempt
776	Operation supplies and expenses	Exempt4
777	Gas processed by others	Exempt
778	Royalties on products extracted	Taxable

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779	Marketing expenses	Taxable
780	Products purchased for resale	Exempt
781	Variation in products inventory	Taxable
782	Extracted products used by the utility--credit	Exempt
783	Rents	Exempt
	Maintenance	
784	Maintenance supervision and engineering	Taxable
785	Maintenance of structures and improvements	Taxable
786	Maintenance of extraction and refining equipment	Exempt4
787	Maintenance of pipe lines	Exempt
788	Maintenance of extracted products storage	
	equipment	Exempt4
789	Maintenance of compressor equipment	Exempt4
790	Maintenance of gas measuring and regulating	
	equipment	Exempt4
791	Maintenance of other equipment	Exempt4
	Exploration and Development Expenses	
	Operation	
795	Delay rentals	Taxable
796	Nonproductive well drilling	Exempt

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797	Abandoned leases	Taxable
798	Other exploration	Taxable
	Other Gas Supply Expenses	
	Operation	
800	Natural gas well head purchases	Exempt
801	Natural gas field line purchases	Exempt
802	Natural gas gasoline plant outlet purchases	Exempt
803	Natural gas transmission line purchases	Exempt
804	Natural gas city gate purchases	Exempt
804.1	Liquefied natural gas purchases	Exempt
805	Other gas purchases	Exempt
805.1	Purchased gas cost adjustments	Exempt
806	Exchange gas	Exempt
807	Purchased gas expenses	Exempt
808.1	Gas withdrawn from storage--debit	Exempt
808.2	Gas delivered to storage--debit	Exempt
809.1	Withdrawals of liquefied natural gas held for processing--debit	Exempt
809.2	Deliveries of natural gas for processing--credit	Exempt
810	Gas used for compressor station fuel--credit	Exempt

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811	Gas used for products extraction--credit	Exempt
812	Gas used for other utility operations--credit	Exempt
813	Other gas supply expenses	Exempt
	Natural Gas Storage, Terminating and Processing Expenses	
	Underground Storage Expenses Operation	
814	Operation supervision and engineering	Taxable
815	Maps and records	Taxable
816	Wells expenses	Exempt4
817	Lines expenses	Exempt4
818	Compressor station expenses	Exempt4
819	Compressor station fuel and power	Exempt4
820	Measuring and regulating station expenses	Exempt4
821	Purification expenses	Exempt4
822	Exploration and development	Taxable
823	Gas losses	Exempt
824	Other expenses	Exempt4
825	Storage well royalties	Exempt4
826	Rents	Exempt

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	Maintenance	
830	Maintenance supervision and engineering	Taxable
831	Maintenance of structures and improvements	Taxable
832	Maintenance of reservoirs and wells	Exempt
833	Maintenance of lines	Exempt4
834	Maintenance of compressor station equipment	Exempt4
835	Maintenance of measuring and regulating station equipment	Exempt4
836	Maintenance of purification equipment	Exempt4
837	Maintenance of other equipment	Exempt4
	Other Storage Expenses	
	Operation	
840	Operations supervision and engineering	Taxable
841	Operation labor and expenses	Exempt4
842	Rents	Exempt
842.1	Fuel	Exempt
842.2	Power	Exempt
842.3	Gas losses	Exempt
	Maintenance	
843.1	Maintenance supervision and engineering	Taxable

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843.2	Maintenance of structures and improvements	Taxable
843.3	Maintenance of gas holders	Exempt4
843.4	Maintenance of purification equipment	Exempt4
843.5	Maintenance of liquefaction equipment	Exempt
843.6	Maintenance of vaporizing equipment	Exempt4
843.7	Maintenance of compressor equipment	Exempt4
843.8	Maintenance of measuring and regulating equipment	Exempt4
843.9	Maintenance of other equipment	Exempt4
	Liquefied Natural Gas, Terminating and Processing Expenses Operation	
844.1	Operation supervision and engineering	Taxable
844.2	LNG processing terminal labor and expenses	Exempt4
844.3	Liquefaction processing labor and expenses	Exempt4
844.4	LNG transportation labor and expenses	Exempt4
844.5	Measuring and regulating labor and expenses	Exempt4
844.6	Compressor station labor and expenses	Exempt4
844.7	Communication system expenses	Taxable
844.8	System control and load dispatching	Exempt4

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845.1	Fuel	Exempt
845.2	Power	Exempt
845.3	Rents	Exempt
845.4	Demurrage charges	Taxable
845.5	Wharfage receipts--credit	Taxable
845.6	Processing liquefied or vaporized gas by others	Exempt
846.1	Gas losses	Exempt
846.2	Other expenses	Exempt <sup>4</sup>
	Maintenance	
847.1	Maintenance supervision and engineering	Taxable
847.2	Maintenance of structures and improvements	Taxable
847.3	Maintenance of LNG processing terminal equipment	Exempt <sup>4</sup>
847.4	Maintenance of LNG transportation equipment	Exempt <sup>4</sup>
	Maintenance of measuring and regulating equipment	Exempt <sup>4</sup>
847.6	Maintenance of compressor station equipment	Exempt <sup>4</sup>
847.7	Maintenance of communication equipment	Taxable
847.8	Maintenance of other equipment	Exempt <sup>4</sup>
	Transmission Expenses	
	Operation	

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850	Operation supervision and engineering	Taxable
851	System control and load dispatching	Exempt4
852	Communication system expenses	Taxable
853	Compressor station labor and expenses	Exempt4
854	Gas for compressor station fuel	Exempt
855	Other fuel and power for compressor stations	Exempt
856	Mains expenses	Exempt4
857	Measuring and regulating station expenses	Exempt4
858	Transmission and compression of gas by others	Exempt
859	Other expenses	Exempt4
860	Rents	Exempt
	Maintenance	
861	Maintenance supervision and engineering	Taxable
862	Maintenance of structures and improvements	Taxable
863	Maintenance of mains	Exempt4
864	Maintenance of compressor station equipment	Exempt4
865	Maintenance of measuring and regulating station equipment	Exempt4
866	Maintenance of communications equipment	Taxable
867	Maintenance of other equipment	Exempt4

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	<del>Distribution Expenses</del>	
	<del>Operation</del>	
870	<del>Operation supervision and engineering</del>	<del>Taxable</del>
871	<del>Distribution load dispatching</del>	<del>Exempt4</del>
872	<del>Compressor station labor and expenses</del>	<del>Exempt4</del>
873	<del>Compressor station fuel and labor</del>	<del>Exempt4</del>
874	<del>Mains and services expenses</del>	<del>Exempt4</del>
875	<del>Measuring and regulating station</del>	
	<del>expenses--general</del>	<del>Exempt4</del>
876	<del>Measuring and regulating station</del>	
	<del>expenses--industrial</del>	<del>Exempt4</del>
877	<del>Measuring and regulating station expenses--city</del>	
	<del>gate check stations</del>	<del>Exempt4</del>
878	<del>Meter and house regulator expenses</del>	<del>Exempt4</del>
879	<del>Customer installations expenses</del>	<del>Exempt4</del>
880	<del>Other expenses</del>	<del>Exempt4</del>
	<del>Maintenance</del>	
885	<del>Maintenance supervision and engineering</del>	<del>Taxable</del>
886	<del>Maintenance of structures and improvements</del>	<del>Taxable</del>
887	<del>Maintenance of mains</del>	<del>Exempt4</del>

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888	Maintenance of compressor station equipment	Exempt4
889	Maintenance of measuring and regulating station equipment-general	Exempt4
890	Maintenance of measuring and regulating station equipment-industrial	Exempt4
891	Maintenance of measuring and regulating station equipment-city gate check stations	Exempt4
892	Maintenance of services	Exempt4
893	Maintenance of meters and house regulators	Exempt
894	Maintenance of other equipment	Exempt4
	Customer Service and Informational Expenses Operation	
908	Customer assistance expenses	Taxable
909	Informational and instructional advertising expenses	Taxable
910	Miscellaneous customer service and informational expenses Sales Expenses Operation	Taxable

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912	Demonstrating and selling expenses	Taxable
913	Advertising expenses	Taxable
916	Miscellaneous sales expenses	Taxable
	Administrative and General Expenses	
	Operation	
921	Office supplies and expenses	Taxable
925	Injuries and damages	Taxable
926	Employees pensions and benefits	Taxable
928	Regulatory commission expenses	Taxable
930.1	General advertising expenses	Taxable
930.2	Miscellaneous general expenses	Taxable
	Maintenance	
932	Maintenance of general plant	Taxable

Explanation of footnotes.

~~FN1 Tangible personal property charged to these accounts is exempt from the tax except for property used in the transportation of fuel from the point of acquisition to the point of unloading and property used in administrative and purchasing activities in support of fuel acquisition and handling activities. Taxable property used in the transportation of fuel includes rail cars, but~~

23 VAC 10-210. RETAIL SALES AND USE TAX

~~—does not include motor vehicles and trailers subject to the Virginia motor  
—vehicle sales and use tax.~~

~~FN2 Tangible personal property held for resale and charged to these accounts  
is exempt from tax; however, the sales tax should be collected on all sales  
—of such property unless a certificate of exemption is obtained from the  
—purchaser.~~

~~FN3 Tangible personal property charged to this account is exempt only to the  
—extent used directly in the rendition of public utility service. Taxable  
—property includes, but is not limited to, administrative supplies, structural  
—materials, and general purpose items.~~

~~FN4 Tangible personal property charged to this account is exempt except for  
—items included in the following categories: (1) structures and general  
—purpose equipment and (2) administration, record keeping, and commercial  
—expenses.~~

~~—Items of tangible personal property included under the category of structures  
—and general purpose equipment include, but are not limited to, platforms,  
—railings, steps, ladders, scaffolds, gratings, steelwork, foundations,  
—settings, pits, pilings, enclosures, other structures, fences, landscaping  
—materials, properties used in the disposal of wastes and pollutants (unless  
—certified by the Virginia Air Pollution Control Board or Virginia Water~~

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~~Control Board), lighting systems, alarm systems, signal systems, fire fighting and prevention systems, heating and cooling systems, ventilation systems, safety equipment (except protective clothing worn by gas utility production, transmission, or distribution plant employees when furnished gratuitously by a utility), and property used in the repair or replacement of damaged property of others.~~

~~Items of tangible personal property included under the category of administration, record keeping, and commercial expenses include, but are not limited to, property used for plant security, grounds maintenance materials, washroom supplies, janitorial supplies, record keeping supplies, office supplies and furniture, building service, charts, forms, and property used in demonstrations.~~

~~FN5 Transportation equipment subject to the Virginia aircraft, motor vehicle, or watercraft sales and use taxes is exempt from the retail sales and use tax. Other transportation equipment is subject to the tax only if not specially designed or equipped for use in a gas utility's production, transmission, or distribution system.~~

3. Telephone utility accounts:

~~Account~~

No. \_\_\_\_\_ Title of Primary Account \_\_\_\_\_ Status

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_____	Telephone Plant Accounts	
201	Organization	Taxable
202	Franchises	Taxable
211	Land	Taxable
212	Buildings	Taxable
221	Central office equipment	Exempt1
231	Station apparatus	Exempt1
232	Station connections	Exempt
234	Large private branch exchanges	Exempt1
235	Public telephone equipment	Exempt
241	Pole lines	Exempt
242.1	Aerial cable	Exempt
242.2	Underground cable	Exempt
242.3	Buried cable	Exempt
242.4	Submarine cable	Exempt
243	Aerial wire	Exempt
244	Underground conduit	Exempt
261	Furniture and office equipment	Taxable
262	Other communications equipment	Exempt
264	Vehicles and other work equipment	Exempt2

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276 Telephone plant acquired Exempt3

277 Telephone plant sold Exempt3

Maintenance Expenses

602.1 Repairs of pole lines Exempt4

602.2 Repairs of aerial cable Exempt4

602.3 Repairs of underground cable Exempt4

602.4 Repairs of buried cable Exempt4

602.5 Repairs of submarine cable Exempt4

602.6 Repairs of aerial wire Exempt4

602.7 Repairs of underground conduit Exempt4

602.8 Shop repairs and salvage adjustments Exempt

603 Test desk work Exempt

604 Repairs of central office equipment Exempt

605 Repairs of station equipment Exempt

606 Repairs of buildings and grounds Taxable

607 Repairs of public telephone equipment Exempt

610 Maintaining transmission power Exempt

611 Employment stabilization Taxable

612 Other maintenance expenses Exempt5

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—————Traffic Expenses

621	General traffic supervision	Taxable
622	Service inspection and customer instruction	Taxable
626	Rest and lunch rooms	Taxable
627	Operator's employment and training	Taxable
629	Central office stationery and printing	Taxable
630	Central office house services	Taxable
631	Miscellaneous central office house service	Taxable
632	Public telephone expenses	Taxable
633	Other traffic expenses	Taxable
634	Joint traffic expenses--dr.	Taxable
635	Joint traffic expenses--cr.	Taxable

—————Commercial Expenses

640	General commercial administration	Taxable
642	Advertising	Taxable
643	Sales expense	Taxable
644	Connecting company relations	Taxable
645	Local commercial operations	Taxable

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648 Public telephone commissions Taxable

649 Directory expenses Exempt

650 Other commercial expenses Taxable

~~General Office Salaries and Expenses~~

661 Executive department Taxable

662 Accounting department Taxable

663 Treasury department Taxable

664 Law department Taxable

665 Other general office salaries and expenses Taxable

~~Other Operating Expenses~~

668 Insurance Taxable

669 Accidents and damages Taxable

671 Operating rents Exempt

672 Relief and pensions Taxable

673 Telephone franchise requirements Taxable

674 General services and licenses Taxable

675 Other expenses Taxable

676 Telephone franchise requirements--cr. Taxable

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~~677 Expenses charged construction--cr. Taxable~~

~~Clearing Accounts~~

~~702 Vehicle and other work equipment expense Taxable<sup>2</sup>~~

~~704 Supply expense Taxable~~

~~705 Engineering expense Taxable~~

~~706 Plant supervision expense Taxable~~

~~707 House service expense Taxable~~

~~708 Custom work Exempt<sup>3</sup>~~

~~708.1 Unbilled custom work on joint undertakings~~

~~billable to AT& T and associated companies Exempt<sup>3</sup>~~

~~708.2 Unbilled custom work billable to other than~~

~~AT& T and associated companies Exempt<sup>3</sup>~~

~~709 Miscellaneous expense of plant forces Taxable~~

~~710 Plant labor costs Exempt<sup>6</sup>~~

~~712 Plant labor--annual Taxable~~

~~725 Unclassified Western Electric billing Taxable~~

~~731 Junk allowance Taxable~~

~~732 Undistributed directory billing Taxable~~

~~733 Undistributed transportation and handling costs~~

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<del>_____</del>	<del>for returns vendors _____</del>	<del>Taxable</del>
742	Accounting suspense _____	Taxable
747	Centralized administrative services _____	Taxable
748	Uncollectible final account revenues and taxes _____	Taxable
749	Centralized information system expense _____	Taxable
750	Cash clearance _____	Taxable
767	Consolidated training and education expense _____	Taxable
780	Terminal equipment sale expense _____	Taxable
786	Payroll distribution suspense _____	Taxable
799	General ledger suspense _____	Taxable

Explanation of footnotes

~~FN1 Tangible personal property charged to these accounts is exempt except for the following categories of items: (1) structures and general purpose equipment and (2) office and operators' supplies and furniture.~~

~~Taxable items included under the category of structures and general purpose equipment include, but are not limited to, foundations, platforms, lighting equipment, public address systems, and property used in building alterations.~~

~~Taxable items included under the category of office and operator's supplies and furniture include, but are not limited to, desks, tables, operators' and~~

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~~—other chairs, booths, directory stands, and shelves.~~

~~FN2 Vehicles and work equipment subject to the Virginia aircraft, motor vehicle, or watercraft sales and use taxes are exempt from the retail sales and use tax. Other vehicles and work equipment are taxable only when not specially designed or equipped for use in a telephone utility's transmission or distribution system.~~

~~—In addition, tangible personal property used in the repair or maintenance of vehicles and other work equipment which are not used directly in the rendition of public utility service is taxable. Such vehicles are those not specially designed or equipped for use in a telephone utility's transmission or distribution system.~~

~~FN3 The tax applies only to tangible personal property purchased or sold when such property is used in administrative or commercial activities within the telephone plant.~~

~~FN4 Tangible personal property charged to these accounts is exempt except for that property used in the repair or replacement of damaged property owned by others. The tax does not apply to a telephone utility if it contracts this function to others.~~

~~FN5 Tangible personal property charged to this account is exempt only to the extent used in the maintenance of exempt utility property.~~

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~~FN6 Tangible personal property charged to this account is exempt except for the following categories of items: administration, building maintenance, and maintenance of vehicles not used directly in the rendition of public utility service.~~

~~Taxable property included under the category of administration includes, but is not limited to, property used in administrative support, purchasing and materials management, and the handling of requests for service installation.~~

~~Note: All references in this regulation to the Uniform System of Accounts are to the accounts as published by the Federal Communications Commission or the Federal Energy Regulatory Commission, whichever is applicable, as they existed at the date of adoption of this regulation.~~

23 VAC 10-210. RETAIL SALES AND USE TAX

~~23 VAC 10-210-5090. Transitional provisions; generally.~~

~~Effective January 1, 1987, the state sales and use tax rate increased from 3.0% to 3.5%, while the local sales and use tax rate of 1.0% remained the same.~~

~~The increased rate applies to all tangible personal property delivered to a purchaser and paid for on or after January 1, 1987, even though the property may have been ordered prior to January 1, 1987. The increased rate will not apply to tangible personal property delivered prior to January 1, 1987, but paid for on or after January 1, 1987. The increased rate also will not apply when a taxable sale or lease payment is paid for in full prior to January 1, 1987, even though delivery may occur on or after January 1, 1987, or the lease payment may cover a period beginning on or after January 1, 1987.~~

~~Notwithstanding the January 1, 1987, increase in the sales and use tax rate, §58.1-639 of the Code of Virginia provides for the refund of the additional 0.5% tax paid on tangible personal property purchased or leased under certain contracts and leases entered into before October 27, 1986 (the date the sales and use tax rate increase was enacted).~~

~~The contracts and leases subject to the transitional provisions are (i) bona fide real estate construction contracts (including highway construction contracts), (ii) contracts for the sale of tangible personal property, and (iii) leases of tangible personal property.~~

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~~23 VAC 10-210-5091. Transitional provisions; bona fide real estate construction contracts.~~

~~A. Generally. Refunds of the additional 0.5% sales and use tax paid on and after January 1, 1987, are available when tangible personal property is purchased or leased under a bona fide real estate construction contract or bona fide highway construction contract entered into before October 27, 1986. A "bona fide" contract is one that contained plans and specifications before October 27, 1986. Refunds will not be available, however, in the event that a bona fide contract is renegotiated or to the extent that a contract is expanded to include additional work or the furnishing of additional materials (also see subsection D of this section relating to extensions of a contractually stated completion date).~~

~~Refunds will be available only for the additional 0.5% tax paid on (i) materials permanently incorporated into real estate, and (ii) construction supplies, fixtures, equipment, etc., that enter into the construction of or become a part of a structure, highway, etc. Further, refunds will be limited to property purchased or leased in connection with a specific contract and used exclusively in such contract. Thus, refunds will not be available for the additional 0.5% tax paid on equipment, materials, supplies, tools, etc. that will be used in more than one contract.~~

~~As noted below, rules for obtaining refunds of the additional 0.5% tax paid on and after January 1, 1987, on purchases or leases under bona fide real estate construction~~

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~~contracts vary depending on whether or not the contract contains a specific and stated date of completion.~~

~~B. Contracts that do not contain a specific and stated date of completion. In the case of bona fide real estate construction contracts that do not contain a specific and stated date of completion, refunds of the additional 0.5% tax may be claimed only with respect to purchased or leased tangible personal property that is delivered to the contractor on or before March 30, 1987.~~

~~Example: Contractor A enters into a bona fide contract before October 27, 1986, for the erection of a home, but the contract does not contain a specific and stated date of completion. After January 1, 1987, Contractor A makes two orders of materials for use in the project and pays the full 4.5% sales tax on the materials. Because the contract did not contain a specific and stated date of completion, Contractor A must take delivery of goods purchased for use in the project on or before March 30, 1987, in order to receive a refund of the 0.5% tax. The first order is delivered to Contractor A on March 30, 1987, but the second order is delivered to Contractor A on April 1, 1987. Thus, Contractor A may receive a refund of the additional 0.5% tax paid on the first order, but will not be able to receive a similar refund on the second order because it was delivered after March 30, 1987.~~

~~C. Contracts that contain a specific and stated date of completion. In the case of bona fide real estate construction contracts that contain a specific and stated date of~~

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~~completion, refunds of the additional 0.5% tax paid on and after January 1, 1987, will be available for all property delivered to the contractor on or before the completion date specified in the contract.~~

~~Example: Contractor B enters into a bona fide contract before October 27, 1986, for the erection of a bridge. The contract contains a specific and stated completion date of June 30, 1989. On and after January 1, 1987, Contractor B pays the full 4.5% sales and use tax on his purchases of materials for use in the contract and all such materials, except one shipment, are delivered to the contractor by the June 30, 1989, date of completion. The last shipment of materials is delivered to Contractor B on July 1, 1989. Refunds of the additional 0.5% tax paid by Contractor B will be available for all materials delivered to him by the specified completion date stated in his contract, June 30, 1989. However, a refund will not be available for the additional tax paid on the last delivery because that delivery occurred after the specified and stated completion date for the project.~~

~~Both contracts containing a specific date for completion, e.g., July 1, 1988, and contracts containing a specific number of calendar days for completion, e.g., 150 calendar days, shall be considered as contracts with a specific and stated date of completion.~~

~~When a subcontractor performs work for a general contractor, the date of completion for purposes of this section is the date stated in the subcontract and not the completion date specified in the contract between the general contractor and the customer.~~

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~~D. Extension of contractual completion date. The refund provisions of subsection C of this section, contracts that contain a specific and stated date of completion, do not apply when the completion date specified in a bona fide real estate construction contract is extended for any reason. In the event that the completion date specified in a bona fide real estate construction contract is extended, refunds of the additional 0.5% tax paid on and after January 1, 1987, will be available only for property delivered on or before the completion date specified in the original contract.~~

~~E. Nonbona fide real estate construction contracts. Refunds of the additional 0.5% tax paid by contractors on and after January 1, 1987, will not be available when purchases or leases are made pursuant to nonbona fide real estate construction contracts. A nonbona fide contract is one that did not contain plans or specifications before October 27, 1986. Contracts that are entered into on or before October 27, 1986, without plans or specifications but which are amended after October 27, 1986, to include plans or specifications are also not bona fide contracts.~~

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~~23 VAC 10-210-5092. Transitional provisions; contracts for the sale of tangible personal property.~~

~~A. Generally. Refunds of the additional 0.5% tax paid on and after January 1, 1987, may be claimed for tangible personal property purchased under sale contracts entered into before October 27, 1986, provided the property is delivered to the purchaser on or before March 30, 1987. Refunds will not be available if a sale contract was entered into on or after October 27, 1986, or if the property purchased is delivered to the purchaser after March 30, 1987.~~

~~B. Layaway sales. The provisions for the refund of the additional 0.5% tax apply to all layaways made before October 27, 1986, and delivered to the purchaser on or before March 30, 1987.~~

~~Examples:~~

~~1. Customer A makes a layaway of an item of merchandise on October 26, 1986, and takes delivery of the merchandise on March 30, 1987. Customer A will be required to pay the full 4.5% tax when he completes the layaway purchase, but he will be able to request a refund of the additional 0.5% tax he pays.~~

~~2. Customer B makes a layaway of an item of merchandise on October 26, 1986, but does not take delivery of the merchandise until April 1, 1987. Customer A will be required to pay the full 4.5% sales tax on the purchase, but will not be able to request a~~

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~~refund of the additional 0.5% tax because he did not take delivery of the merchandise until after March 30, 1987.~~

~~C. Gift certificates. Pursuant to 23 VAC 10-210-670, the sales tax is not to be collected on the sale of gift certificates, but is to be collected when gift certificates are redeemed for merchandise. Because gift certificates are not taxable until redeemed, refunds of the additional 0.5% tax paid on purchases made with gift certificates on and after January 1, 1987, will not be available.~~

~~D. Installment sales. Pursuant to 23 VAC 10-210-450, the sales and use tax is due in full when a agreement for an installment sale is made. 23 VAC 10-210-450 does not permit the tax on an installment sale to be paid in installments. Therefore, all installment sales prior to January 1, 1987, will be subject to state and local sales and use tax at a rate of 4.0%, while sales on and after January 1, 1987, will be subject to tax at a 4.5% rate. Because the tax on installment sales is due as of the date the contract of sale is entered into, refunds of the additional 0.5% tax paid on an installment sale on and after January 1, 1987, will not be available.~~

~~E. Maintenance contracts. The sale of maintenance contracts which provide in whole or in part for the furnishing or replacement of parts is a taxable sale of tangible personal property pursuant to 23 VAC 10-210-910. As with other sales of tangible personal property, the sales and use tax becomes due in full when the contract is entered into. Therefore, all taxable maintenance contracts entered into before January 1, 1987, will~~

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~~be subject to the tax at a rate of 4.0%, while those taxable maintenance contracts entered into on or after January 1, 1987, will be subject to the tax at a rate of 4.5%. Because the tax on such contracts becomes due as of the date the contract is entered into, refunds of the additional 0.5% tax paid on and after January 1, 1987, will not be available.~~

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~~23 VAC 10-210-5093. Transitional provisions; leases of tangible personal property. Refunds of the additional 0.5% sales tax paid on leases on and after January 1, 1987, will be available, provided that (i) the lease is entered into before October 27, 1986, and (ii) the leased property is delivered to the lessee by March 30, 1987. However, refunds will not be available for the additional tax paid on leases entered into on or after October 27, 1986, or where leased property is delivered to the lessee after March 30, 1987. So long as the above two conditions are met, refunds may be requested for the additional 0.5% tax paid over the course of a lease. For instance, a person who enters into a five-year equipment lease on October 26, 1986, and who takes delivery of the equipment by March 30, 1987, would be able to seek refunds of the extra 0.5% tax paid for periods through the end of the five-year lease period. However, if the lessee assigns the lease, or if the property is turned over to anyone else, refunds of the additional 0.5% tax will not be available for tax paid after the change. In addition, refunds of the additional 0.5% tax will not be available if there are replacements of the property leased (except for replacements due to defective goods), if additional property is added to the lease, or if the lease is renegotiated or renewed.~~

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~~23 VAC 10-210-5094. Transitional provisions; refunds on purchases or leases of tangible personal property under qualifying contracts.~~

~~A. Limited to purchaser or lessee only. Refunds of the additional 0.5% tax paid on purchases or leases of tangible personal property under bona fide real estate construction contracts, contracts for the sale of tangible personal property, or leases of tangible personal property will be limited only to the purchaser or lessee of the property.~~

~~B. Refunds to be requested from Department of Taxation only. The purchaser or lessee of tangible personal property under qualifying contracts or leases shall request refunds of the additional 0.5% tax directly from the Department of Taxation and not from the seller or lessor of the property. In seeking refunds, the purchaser or lessee shall furnish the Department of Taxation with copies of the contract or lease under which property is purchased or leased. In addition, the purchaser or lessee shall indicate the delivery date of all items for which refunds are claimed and shall be able to demonstrate that the 4.5% Virginia tax was actually paid to his suppliers or lessors. Copies of invoices will be required to verify that the 4.5% tax was paid on purchases or leases of tangible personal property for which refunds are requested.~~

~~C. Time limitation on seeking refunds. Pursuant to §58.1-1823 of the Code of Virginia and 23 VAC 10-210-3040, requests for refunds of the additional 0.5% tax paid pursuant to qualified contracts or leases must be made within three years of the date tax became due. For instance, tax paid by a lessee in January 1987 does not become due to the~~

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~~department from the lessor until February 20, 1987; thus, the lessee would have until February 20, 1990, to seek a refund.~~

~~D. Interest on refunds. Interest on refunds will be computed in the manner set forth in §58.1-1833 of the Code of Virginia. Under this statute, interest is computed from a date beginning 60 days after the due date of the tax and ending on a date not more than 30 days preceding the date of the refund check. For example, the tax paid by a purchaser in February 1987 does not become due to the department until March 20, 1987; thus, interest on the refund of the additional 0.5% tax would be computed starting on May 19, 1987, which is 60 days from the March 20 due date.~~